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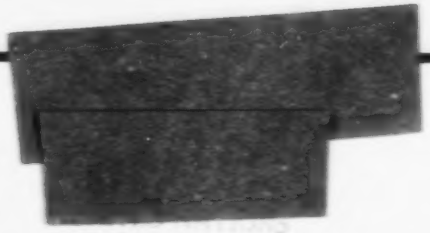

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

FIRST COUNTRY COOPERATION FRAMEWORK FOR SRI LANKA (1997-2001)

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INTRODUCTION

1. The first country cooperation framework (CCF) for Sri Lanka for the period 1992-2001 has been developed through close consultations between the Government and UNDP. The programme areas, which match Sri Lanka's priority development goals with UNDP comparative advantages and policy guidelines, are designed to promote sustainable human development (SHD), reduce poverty and improve the quality of life of the people of Sri Lanka.

2. The CCF is the basis for future UNDP input in the context of overall assistance from the United Nations system and the donor community. The Government's overall objectives are to ensure rapid, sustainable and equitable economic development and to achieve peace. As part of this, it has requested UNDP to focus on regional economic development, the reconstruction efforts, sound governance and certain areas of aid management. In determining this focus, full account has been taken of the proposed development strategy and programme areas outlined in the advisory note.

3. The CCF process began with the mid-term review of the fifth country programme in August 1995, when the Government and UNDP agreed upon the future areas of cooperation. These areas were more clearly defined during the consultations held to formulate the country strategy note and the elaboration of six concept papers (on poverty, employment, regional development, governance, the conflict and the environment) for the preparation of the advisory note. The note was officially transmitted to the Government in May 1997. This process allowed the Government and UNDP to review continuously the most effective use of UNDP resources in helping to achieve national development aims. In addition, inputs were collected from a wide range of Sri Lanka's development partners, including other United Nations specialized agencies, bilateral donors and non-governmental organizations (NGOs).

I. NATIONAL DEVELOPMENT SITUATION

4. Sri Lanka has already achieved a medium level of human development as indicated for example, by the life expectancy of 72 years, an adult literacy rate of 89 per cent, a gross educational enrolment ratio of 66 per cent. However, its gross domestic product/capita of $713 (1995) indicates that Sri Lanka has a low-income economy. This unusual combination shows that the human development challenges in Sri Lanka are different from many other developing countries. The social sector gains may be at risk unless the country achieves more rapid economic growth that is balanced and equitable.

5. The conflict in the North and the East, now in its fourteenth year, is the most important long-term development constraint facing Sri Lanka. More than 50,000 people have died and a large number have been internally displaced or economically affected, with children particularly vulnerable. Its impact on the economy is severe, with diversion of resources for humanitarian needs as well as for military operations. The Government is committed to resolving the conflict by extensive devolution of power to regional councils, reducing or eliminating the capacity of the Liberation Tigers of Tamil Ellam to continue the conflict,

and rebuilding the conflict-affected areas. Since mid-1996, a comprehensive resettlement and rehabilitation programme for the Jaffna Peninsula has been developed.

6. The major development issue in Sri Lanka is high unemployment and lack of other income opportunities, which are the main causes of poverty. Direct employment is expected to come largely from outside the public sector. Jobs also need to be created outside the Greater Colombo area, by working with the private sector and local governments to stimulate regional development.

7. In the medium term, Sri Lanka has strong economic potential and is aiming for growth similar to the fast-growing countries in East and South-East Asia. Industrial products are now the largest export earners. The Government plans to make Sri Lanka a financial, shipping and commercial service centre for the region. Industry will be expanded and diversified, emphasizing technology-based sectors. Agricultural productivity could be substantially improved by introducing modern technology and farming methods. If growth of 8-9 per cent per year can be achieved, this could halve the rate of unemployment, make a substantial dent in the level of poverty by the year 2000, and double the per capita real private consumption by 2004.

8. Government institutions and public services are relatively well developed but need to adjust to the demands of an open competitive economy. Governance has become an important issue in recent years, and the Government has made a commitment to carry out reforms to improve its services to the community. The Action Plan for Administrative Reform has been approved by the Cabinet, and an appropriate regulatory environment supporting private sector growth is being promoted. The devolution proposals, when approved, will also fundamentally change the relationship between the centre and the regions.

9. Latest statistics reveal that 22 per cent of the population, or 4 million people, live in poverty. This figure would grow if people affected by the conflict are included. However, government policies such as free access to health, education and a social safety net makes poverty in Sri Lanka different from that in most other countries, and there is little abject poverty. Other poverty indicators such as low child mortality confirm this.

10. Poverty reduction has been a major plank of successive governments' development policies for several decades and is still a high priority for the current Government. Previous policies were nevertheless unable to reduce poverty substantially since they concentrated largely on transfers and developing inappropriate rural facilities, assuming that this would lead to economic opportunities and growth in rural areas. The current poverty-alleviation strategy is focused on accelerating broad-based economic growth while maintaining a basic, targeted safety net and public spending for human development.

11. Women, who represent 34 per cent of the adult labour force, have full access to education and health services. Unlike the situation in many developing countries, research indicates that female-headed households are not poorer than male-headed households. However, many women work for low pay and most of the over 500,000 migrant workforce are female and poorly paid. Women

are also poorly represented in economic and political decision-making. The recently drafted National Plan of Action for Women indicates that women are not treated equally in many spheres of contemporary Sri Lankan society.

12. The Government has recognized that environmental concerns must be integrated into all development planning and decision-making, and is taking measures to address this complex issue, which is central to any effective development strategy. The signs of environmental stress are causing increased concern in Sri Lanka. Land degradation, which is closely related to rural poverty, is a critical issue. Location of new industry, tourism development and other economic activities in the districts all require more emphasis on land-use policies.

13. While Sri Lanka has high social indicators, the Government is concerned about the quality of services provided, especially in the education, health and nutrition sectors. Presidential task forces have recently recommended improvements in these sectors to maintain quality and make them more relevant for present and future needs.

14. Sustainable human development in Sri Lanka therefore depends on making the appropriate policy reforms and improving the operational capacity to:

(a) Achieve a political settlement to the conflict and implement a reconstruction programme to address the needs of the conflict-affected population;

(b) Sustain a rate of broad-based economic growth that can rapidly generate high employment and sustainable livelihoods;

(c) Reduce poverty and inequalities between income groups, gender, regions, and achieve a high level of social integration;

(d) Improve the public service sector and devolve power to the regions;

(e) Manage better the vulnerable environment of an island ecosystem in the process of economic development.

II. RESULTS AND LESSONS OF PAST COOPERATION

15. The fifth country programme (1992-1996) concentrated its efforts on four themes: economic development; governance; poverty alleviation and human resource development; and environmental conservation and natural resource exploitation. During the programme, UNDP worked directly for the first time with the private sector and expanded its cooperation with non-governmental organizations (NGOs), both of which produced positive results. National execution became the norm, though with a high level of implementation by United Nations specialized agencies.

16. In economic development, UNDP support led to the development of new export markets, and selected industries were upgraded. Programmes and plans of action for forestry, fisheries, tourism and the transport sector were developed. UNDP

support for the Southern Region paved the way for its current priority development status. In governance, there was marked improvement in public sector services such as telecommunications and customs. In poverty and human resource development, successes include several promising models of poverty reduction and improved quality of hotel personnel. UNDP has also actively supported a number of important environmental protection initiatives in industry, forestry, wildlife conservation and reduction of the use of ozone-depleting substances.

17. However, the design of some projects was overambitious and some did not meet actual needs, which led to their early termination. Several activities in the conflict-affected areas could not be implemented because of the security situation. Overall, the programme was spread over a wide range of sectors, thus diffusing impact.

III. PROPOSED STRATEGY AND THEMATIC AREAS

18. The Government fully endorses the guiding principles of UNDP, especially those of national ownership of its development, and the use of national execution; the need to ensure sustainability in development initiatives; collaboration within the United Nations system, taking account of the division of labour; and the integration of the gender dimension into all initiatives. The comparative advantages of UNDP regarding neutrality, accountability of funds, transferring international best practice, recognized competence in key areas, and the confidence of the Government to work in sensitive areas, have been important criteria in identifying specific areas and types of assistance.

19. Given Government priorities, UNDP can best support human development and contribute to reducing poverty on a sustainable basis by focusing its resources on promoting employment and economic opportunities within a broad-based strategy for economic growth; promoting good and effective governance through public sector reforms; supporting the rehabilitation and reconstruction of conflict-affected areas, and improving aid management. These areas require a broad set of policy reforms at many levels, as well as heavy investments far beyond UNDP capacity. UNDP resources will therefore be used for high-impact interventions with maximum catalytic effects, concentrating on building institutional capacity and human resources for planning and implementation of development policies at both national and subnational levels.

A. Growth with equity at a decentralized level

20. Centralized efforts are not enough by themselves to bring development to all areas and all sections of the population. Broad-based economic growth requires action at the provincial and district levels to create employment where it is most needed. At the same time, grass-roots activities have had only limited success in creating a sufficiently strong and sustainable economic basis for lifting the poor permanently out of poverty. Such activities have often failed because they have been poorly linked to market needs and opportunities. The links between national interventions and policies, the private sector, micro-initiatives and local resources must be strengthened.

21. In order to support and help to elaborate further the new government strategy of stronger promotion of regional economic development, the Government has requested UNDP to support a decentralized, equitable economic development programme in selected provinces. The programme will start in Uva Province and one other area to be selected which, like Uva, is remote, has high poverty levels, but potential resources that can be developed. The programme will complement past and ongoing UNDP activities being carried out under various initiatives, such as the subregional poverty programme, current work in Uva, a community-based initiative and that done under the area-based Southern Area development programme. It will make extensive use of experience gained in these initiatives.

22. At the provincial level, starting in Uva Province, the programme will strengthen the institutional capacity of the Provincial Council and its agencies to plan and implement a medium-term development strategy and complementary investment plan. It will establish, coordinate or reorganize relevant agencies and organizations and apply a comprehensive area-development methodology. Assistance will be focused on support to the private sector in such ways as strengthening, facilitating, or establishing marketing, credit, small enterprise and technology service centres; improving agricultural research and extension services; promoting a needs-based and forward-looking skills development programme with educational institutions; supporting resource surveys; and implementing sector action plans. The Districts will be supported in identifying and setting priorities at the local level.

23. UNDP will also support selected activities at the local or grass-roots level, through local government, commercial and community organization initiatives, to create or improve income-generation and employment opportunities, increase participation, enlarge social organizations, and access basic services and credit, especially for people with low incomes. Experience gained elsewhere will be replicated where appropriate.

24. Such direct contact with on-the-ground experiences will be fed into policy-making and support mechanisms at the provincial and national levels and will involve demonstrations for replication on proof of success. In addition, UNDP will ensure close contact and coordination with, for example, the Government's main poverty-reduction programme, the Samurdhi (Prosperity) Programme, NGOs and the integrated rural development programmes, so that their experiences and efforts will also be well integrated.

25. At the same time, UNDP will improve support mechanisms at the national level that enhance economic development at the sub-national levels. One outcome will be more coordinated efforts to promote regional employment creation and poverty reduction. Assistance will also be given in integrating the spatial dimension of regional development into the policies of the main line ministries. The Ministry of Planning will be supported to promote integration of regional plans into the national plan. A programme of technical support to specialized agencies such as the Export Development Board, the Board of Investment and the Department of Census and Statistics will be implemented. A monitoring system will be established to follow the progress of the regions as part of an active learning process.

26. More jobs, better income opportunities and the well-being of the poor will depend, in part, on external factors. However, benchmarks and expected results both in institutional development and use of relevant methodologies, along with the improvement expected from normal development, will be established in the start-up phase.

B. Public sector reform and sound governance

27. The Government gives high priority to sound governance through its commitment to improve transparency, introduce greater accountability, promote wider participation of the people through devolution and by vigorously carrying out administrative and public sector reform. The Government has also requested further support to strengthening the management of key institutions providing services to the public. Another priority is increasing the participation of women in political and administrative decision-making.

28. The Government has requested continued UNDP support for its recently approved National Action Plan for Public Sector Reform. Assistance will support the structural reorganization of government departments through providing clear goals and performance indicators; an improved management framework for service delivery; reforms leading to reduced demand on funds and the promotion of growth, led by the private sector; and upgraded retraining programmes for redeployed staff. Cooperation will continue with the World Bank and the Asian Development Bank. Other UNDP programmes also strongly focus on building key areas of local government capacity for development planning and for rehabilitation.

29. Further devolution of power is crucial to the resolution of the conflict and the democratization of decision-making. UNDP programme interventions for sound governance include improving transparency by strengthening the Commission to Investigate Allegations of Bribery and Corruption. Decentralization will be supported by expanding the capacity of both the central authorities and provincial Governments to cope with future legislative programmes, thereby facilitating the implementation of the constitutional reforms as they relate to devolution.

30. In the area of financial management and planning, the devolution proposals give much greater authority to the regional units. UNDP will assist in the development of policies and programmes for fiscal devolution, introduce new financial disciplines, develop a new scheme for resource allocation, and strengthen the capacities of the current provincial councils to formulate financial plans, improve financial management, accountability and monitor performance. This will enable regional authorities to manage their own affairs more effectively for their constituents. These interventions taken together will support a reformed system through which better services to the public and a devolution of power to the regions will be achieved.

C. Rehabilitation and development in conflict-affected areas

31. Four specific areas were affected by the conflict as of mid-1997. In the North, these comprise the Jaffna Peninsula, which returned to government control in early 1996 and the Vanni area, which is still partly uncleared; the East, which is government controlled; and the areas bordering the northern Vanni region.

32. UNDP is already supporting the Government's resettlement and rehabilitation programme for Jaffna and has taken a lead role in assisting the coordination of donor support to this programme. UNDP, together with United Nations specialized agencies, is now setting up logistical and monitoring services for the donor community and is jointly preparing an integrated United Nations system programme for Jaffna. Within this programme, further support will be given to restarting economic activity and a return to normalcy for the Jaffna population, starting vocational and technical training and developing income opportunities for the people. For this to occur, support is also required to build the capacity of the local and central authorities responsible for planning, coordinating and implementing the Jaffna programme. Resource mobilization has already started and further donor contributions are expected. UNDP is assisting in preparing a major rehabilitation and reconstruction programme and stands ready to assist in facilitating the implementation of this whenever possible.

33. In the Eastern region, the programme will link up with activities of other groups currently working in the area. The focus will be on building the development planning capacity of government and community organizations, and promoting jobs and income-generating activities among vulnerable groups, especially women.

D. Aid management and other initiatives

34. Sri Lanka's rate of aid utilization is not high - a source of concern for both the Government and donors. UNDP will assist in strengthening the capacity of core and line ministries to plan and implement projects, making more effective use of international assistance. UNDP will also support the formulation of selected large programmes for donor funding as part of the training process. The Government may also use United Nations Office of Project Services management services for more effective implementation of donor-funded projects.

35. Further in-depth studies of the development options for Sri Lanka as it faces the global challenges of the twenty-first century will be funded by a UNDP development studies programme. In addition, UNDP will assist in building institutional capacity for human resource development in areas the Government identifies during the course of the duration of the CCF.

36. Sri Lanka has a comprehensive regulatory and institutional framework in place for environmental protection and resource management, although enforcement is sometimes unsatisfactory. Its National Environment Action Plan provides a broad framework for building environmental concerns into the development process. The Government's compliance with international environmental compacts,

such as elimination of ozone-depleting substances consumption will continue to be supported by UNDP, among others. In the future, UNDP priority interventions will be in the commercialization of renewable energy in conjunction with the World Bank, and addressing land degradation in ecologically fragile areas through a focus on land titles and farming practices. This will increase agricultural productivity and incomes of the rural poor in a sustainable way. Support to NGOs will continue under the GEF Small Grants Programme of the Global Environment Facility.

37. Sri Lanka still has a rate of HIV/AIDS infection that is comparably low for the region. This, however, could change quickly. UNDP will continue its support to the United Nations Joint and Co-Sponsored Programme on HIV/AIDS as part of the National Programme, especially in promoting behavioural change, safe sex practices, awareness-building, blood screening and training of medical and social sector personnel. Much of this will be done with the non-governmental sector.

IV. MANAGEMENT ARRANGEMENTS

A. Execution and implementation

38. National execution will continue as the norm, with national agencies taking over greater responsibility for implementation while the United Nations specialized agencies will also continue to provide technical and professional inputs. The current constraints to successful national execution will be tackled by a joint Government/UNDP Working Group. Financial monitoring and auditing of national execution programmes and projects has recently been strengthened to ensure greater accountability.

39. Special emphasis will be put on using expertise, experience and training facilities for programme activities from other developing countries, especially from the Asia region. In addition, the technical cooperation among developing countries (TCDC) modality and Transfer of Knowledge through Expatriate Nationals arrangements will be further promoted. The Government is actively promoting TCDC agreements with other countries in the region. The United Nations Volunteers Programme (UNV) offers a cost-effective resource, and national and international UNV specialists will continue in poverty-alleviation and community-based activities. In addition, partnerships with NGOs and the private sector are being implemented.

B. Monitoring, review and evaluation

40. The design of all new programmes will emphasize baseline studies to generate the data needed to develop measurable indicators of success. This will improve monitoring and evaluation and impact assessment. CCF implementation will be reviewed annually to enable mid-course realignment in response to relevant policy shifts. The planning of annual CCF reviews will ensure that usable data is available to: assess management effectiveness; maintain planned financial delivery; improve performance; and estimate likely impact. Dialogue

with and participation of beneficiaries will be a feature of annual reviews. A mid-term review of the CCF will be held in 1999.

C. Resource mobilization

41. The Government will work with UNDP to mobilize additional resources for priority national programmes, especially for the Jaffna and regional economic development programmes. Sri Lanka has been designated by UNDP as a country in special circumstances and will seek funds under target for resource assignment from the core (TRAC) line 1.1.3 to support conflict-related interventions. The resource mobilization target for core and non-core funds is provided in detail in the annex.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR SRI LANKA (1997-2001)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	10 237	
TRAC 1.1.1	15 490	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	2 500	Calculated on a pro rata basis of $0.5 million per year, as per 1997 and 1998 allocation which is $1.0 million
Other resources	250	SPR for disaster management
SPPD/STS	460	
Subtotal	28 937*	
NON-CORE FUNDS		
Government cost-sharing	100	
Sustainable development funds GEF Montreal Protocol Capacity 21	7 275 of which: 6 500 500 275	
Third-party cost-sharing	5 000	
Funds, trust funds and other	500	UNRFNRE
Subtotal	12 875	
GRAND TOTAL	41 812*	

* Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; SPR = Special Programme Resources; STS = support for technical services; TRAC = target for resource assignment from the core; and UNRFNRE = United Nations Revolving Fund for Natural Resources Exploration.